

FULL FINANCIAL REPORT

2002

OneSteel Limited ABN 63 004 410 833

Financial Statements at 30 June 2002 together with Directors' and Independent Audit Reports

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DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2002.

Directors

The following persons were directors of OneSteel Limited during the whole of the financial year and up to the date of this report:

P J Smedley
R L Every
E J Doyle
C R Galbraith
D E Meiklejohn
D A Pritchard
N J Roach.

Details of the qualifications, experience and responsibilities of directors are set out on page 29 of the Annual Review.

Principal Activities

The principal activities of the OneSteel Group are mining, steel manufacture, and steel and metal products distribution. Further details are set out on pages 1 to 32 of the Annual Review.

The company was listed on the Australian Stock Exchange (ASX) on 23 October 2000. There were no significant changes in the nature of the principal activities of the consolidated entity during the year under review.

Review of Operations

A review of the operations of the OneSteel Group during the financial year and the results of those operations is contained in pages 1 to 32 of the Annual Review.

Net profit after income tax attributable to members of the parent entity for the financial year was \$47.1m (2001: \$28.8m loss) with earnings per share of 9.3 cents (2001: (8.8) cents).

Dividends

Dividends paid or declared by the company since the end of the previous financial year were:

	\$m
2001 Final dividend	
3 cents per share paid on 18 October 2001, fully franked at a 30% tax rate on fully paid shares	13.8
2002 Interim dividend	
3 cents per share paid on 24 April 2002, fully franked at a 30% tax rate on fully paid shares	16.1
2002 Final dividend	
3.5 cents per share payable on 17 October 2002 fully franked at a 30% tax rate on fully paid shares	18.9

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year ended 30 June 2002.

Commentary on the overall state of affairs of the consolidated entity is set out on pages 1 to 32 of the Annual Review.

Environmental Regulation and Performance

The consolidated entity is subject to significant environmental regulation in respect of its mining and manufacturing activities. Environmental performance obligations are monitored by management and the Board and subjected, periodically, to internal, independent external and government agency audits and site inspections. The environment report is set out on pages 25 and 26 of the Annual Review.

ASIC Surveillance Matters

On 16 July 2002, the company received correspondence from the Australian Securities and Investments Commission (ASIC) regarding a change in focus of their surveillance work to concentrate on capitalised expenses, revenue recognition and recognition of controlled entities and assets.

These matters were specifically addressed by the company as part of the accounts preparation process and comments on each area are as follows:

- Capitalised expenses**
The main areas of capitalisation of expenses, in OneSteel, relate to the deferred stripping cost we carry in the balance sheet for the iron ore mines and the capitalisation of expenses in capital projects. Both items are covered by the Statement of Significant Accounting Policies (note 1 to the Full Financial Statements) and reflect normal practice allowed under Australian Accounting Standards. For the year ended 30 June 2002 the deferred stripping account increased by \$6.0m to \$20.6m (note 14 to the Full Financial Statements). In addition, expenses of \$6.3m for our SAP implementation project were capitalised in the year.
- Revenue recognition**
The vast majority of OneSteel revenue is from sale of products. Our accounting policy for recognition is "Sales revenue is recognised or accrued at the time of the provision of the product or service. The recognition criteria for the sale of goods is when control of the goods has passed to the buyer."
- Recognition of controlled entities**
All controlled entities are recognised in the consolidated OneSteel Group results.

Based on the review conducted there was no need for any change to the accounting policies of the OneSteel Group.

Matters Subsequent to the End of the Financial Year

Since 30 June 2002 and to the date of this report, no matter or circumstance has arisen that has significantly affected or may significantly affect:

- the consolidated entity's operations in future financial years or
- the results of those operations in future years or
- the consolidated entity's state of affairs in future financial years.

Future Developments

Certain likely developments in the operations of the consolidated entity known to the date of this report have been covered generally within the Annual Review. In the opinion of the directors any further disclosure of information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT CONTINUED

Directors' Meetings

The number of directors' meetings including meetings of committees of directors and number of meetings attended by each of the directors of the company during the financial year are:

	Board of Directors		Governance & Remuneration Committee		Audit & Compliance Committee		Occupational Health, Safety & Environment Committee	
	A	B	A	B	A	B	A	B
P J Smedley	11	11	2	2				
R L Every	11	11						
E J Doyle	11	11			4	4	4	4
C R Galbraith	11	11	2	2	4	4		
D E Meiklejohn	11	11	2	2	4	4		
D A Pritchard	11	11			4	4	4	4
N J Roach	11	11	2	2			4	4

A – Reflects the number of meetings held during the time the director held office during the year.

B – Number of meetings attended.

The roles and membership details of each of the committees are described on pages 30 to 32 of the Annual Review.

Dr Every, the Managing Director, is not a member of the Board Committees but attended all the meetings held by those Committees.

Directors and Senior Executives' Emoluments

The Board's Governance & Remuneration Committee is responsible for reviewing remuneration policies and practices, including compensation and arrangements for executive directors and senior management, the company's superannuation arrangements and, within the aggregate amount approved by shareholders, the fees for non-executive members of the Board. This role also includes responsibility for the

company's share and option plans. Executive and senior management performance review and succession planning are matters referred to and considered by the Committee.

The Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

Directors

Remuneration for non-executive directors comprises a fixed annual base fee and superannuation. The executive directors' remuneration comprises a base salary, other benefits, superannuation and a short-term incentive plan payment (STIP). Details of remuneration paid to directors for the year ended 30 June 2002 are:

Superannuation Directors (\$)	Fees/Salary	Other Benefits	Contribution	Incentives	Total
P J Smedley	250,000		20,000		270,000
R L Every	1,191,667	41,250	189,262	1,200,000	2,622,179
E J Doyle	80,000		6,400		86,400
C R Galbraith	80,000		6,400		86,400
D E Meiklejohn	80,000		6,400		86,400
D A Pritchard	80,000		6,400		86,400
N J Roach	80,000		6,400		86,400
Total	1,841,667	41,250	241,262	1,200,000	3,324,179

Note: The Non-Executive Directors' Share Plan (NED) enables directors to receive part of their remuneration in the form of OneSteel shares. Non-executive directors may elect to acquire OneSteel shares instead of receiving some or all of their annual director's fee in cash, and accordingly the amount paid to the NED Plan by OneSteel is deducted from the fees which otherwise would be paid in cash to the director. No grants to rights to shares or options were made to the Managing Director under the company's Long-Term Incentive Plan in the year ended 30 June 2002.

Senior executives

The company's remuneration policy for senior executives aims to:

- attract, develop and retain executives with the capabilities required to lead the company in the achievement of business objectives
- have a significant proportion of executives' pay at risk to ensure a focus on delivering annual financial, safety and business objectives and
- reward executives for maintaining sustained returns to shareholders.

Remuneration packages for executives therefore comprise:

- a fixed annual reward which includes a base salary, other benefits (including fringe benefits tax and superannuation) and
- a variable component. This involves both a short-term incentive plan that rewards delivering of annual business goals and a long-term incentive plan which allocates shares and options.

DIRECTORS' REPORT CONTINUED

Executives participate in an annual performance review process that assesses performance against key accountabilities and job goals. Performance against these goals impacts directly on short-term incentive payments and salary movements.

Details of fixed annual reward payments and short-term incentive payments made to the most senior executives for the year ended 30 June 2002 are:

Senior Executives ⁽¹⁾ (\$)	Base Salary	Other Benefits	Superannuation Contribution	Short-Term Incentive Plan	Total
G J Plummer	329,348	82,550	48,397	230,000	690,295
R W Freeman	427,359	7,253	34,189	170,000	638,801
L J Selleck	281,861	111,454	41,499	172,000	606,814
N Calavrias	332,706	8,342	24,945	163,572	529,565
A J Reeves	277,741	14,052	24,322	140,000	456,115
Total	1,649,015	223,651	173,352	875,572	2,921,590

(1) All officers were employed by subsidiaries of OneSteel Limited for the full year, except for A J Reeves who commenced with OneSteel on 1 October 2001.

In addition details of payments made to senior executives who separated during the year are:

Senior Executives (\$)	Base Salary	Other Benefits	Superannuation Contribution	Bonus Payment	Termination Benefits ⁽¹⁾	Total
B Carrasco ⁽²⁾	133,776		26,644	52,500	1,067,394	1,280,314
G Day	198,234	50,617	23,761	48,607	390,000	711,219

(1) Termination benefits include annual leave and long service leave.

(2) During the year 352,358 shares and 939,728 options, the granting of which was disclosed in the 2001 Directors' Report, vested to B Carrasco.

Shares and Options – Long-Term Incentive Plan

The company granted performance dependent rights to ordinary shares and options to certain senior executives during

the year ended 30 June 2002. Details of the grants made to the most senior executives are:

Senior Executives	Share Rights Granted	Options Granted	Exercise Price for Options
A J Reeves ⁽¹⁾	174,975	233,300	\$0.9087
R W Freeman	75,000	90,000	\$1.0434
G J Plummer	75,000	90,000	\$1.0434
L J Selleck	60,000	75,000	\$1.0434

(1) Grants made to A J Reeves formed part of the remuneration package established on his commencement with the company.

The rights to shares and the options were granted in accordance with the rules of the company's Long-Term Incentive Plan. One ordinary share in the company may be obtained for each right to shares and options after a qualifying period of three years. These shares and options are held in trust during this period and vesting is subject to the company achieving specific performance hurdles at the end of this period. All or some of these shares and options may vest to an individual executive on termination when special circumstances apply. The options have a maximum life of nine years.

The performance hurdles relate to two comparative groups (the Australian Consumer Price Index plus 5% and the ASX All Industrials Accumulation Index excluding banks, media and telecommunications) that are measured against OneSteel's performance in terms of Total Shareholder Return. OneSteel's ranking against these measures will determine whether a participant may exercise the options and/or withdraw rights to shares.

The issue price for each right to a share and the exercise price for each option are both calculated in a like manner. Their respective prices were calculated based on the weighted average price of OneSteel shares traded on the ASX over a prescribed period of five days applying just prior to the grant of the respective shares.

At the date of this report potential rights to options over ordinary shares of the company are:

Expiry Date	Exercise Price	Number of Shares
15 December 2009	\$0.9258	3,863,008
9 April 2010	\$0.8848	241,298
2 September 2010	\$1.0350	35,749
23 September 2010	\$0.9143	29,531
30 September 2010	\$0.9087	233,300
21 December 2010	\$1.0434	796,000

The options do not entitle the holder to participate in any share issue of the company.

During, or since the end of, the financial year the company has issued shares as a result of the exercise of options as follows:

Number of Shares	Amount Paid on Each Share	Market Value of Shares on Date of Exercise
1,467,154	\$0.9258	\$1.06 to \$1.56
12,000	\$1.0434	\$1.47

There are no amounts unpaid on the shares issued.

Shares held in trust under the Long-Term Incentive Plan carry no voting rights until they ultimately vest to the employees.

DIRECTORS' REPORT CONTINUED

Share-Based Remuneration

During the year shares were issued under the company's Employee Share Plan and rights to shares and options were granted under the Long-Term Incentive Plan. No amount has been charged to the Statement of Financial Performance in respect of these shares and options.

The value attributable to the shares and options, assuming that the performance criteria is met and they ultimately vest to employees, is \$2.9m.

Note: The value of shares is based on the market value on issue date and the value of options has been determined using the Black Scholes model.

Directors' Interests

During the financial year ordinary shares in the company were acquired, either directly or indirectly, at market prices by directors as follows:

	Ordinary Shares
E J Doyle	35,206
C R Galbraith	10,069
D A Pritchard	50,000
N J Roach	110,393

No director, either directly or indirectly, disposed of any ordinary shares, exercised an option over ordinary shares or was granted rights to further shares and options during the financial year.

The relevant interest of each director in the shares, options or other instruments of the company and related bodies corporate are:

	ONESTEEL LIMITED			STEEL & TUBE HOLDINGS LTD	
	Shares	Rights ⁽¹⁾	Options ⁽¹⁾	Shares	Options
P J Smedley	100,000				
R L Every	102,793	1,847,052	2,462,735	6,000	
E J Doyle	57,064				
C R Galbraith	44,440				
D E Meiklejohn	10,000				
D A Pritchard	50,000				
N J Roach	121,229				

(1) Refer details of rights to shares and options above.

Interests of Non-Executive Directors in Contracts or Proposed Contracts with the Company

Directors of OneSteel Limited have entered into agreements with the company for the payment of retiring allowances on retirement as a director. Agreements for the provision of benefits to directors on retirement are made under the provisions of OneSteel's Constitution. In addition, directors of OneSteel Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as listed in their personal profiles set out on page 29 of the Annual Review.

Members of the consolidated entity had normal business transactions with directors (or director-related entities) of the parent entity and its controlled entities during the year, including payments to Allens Arthur Robinson, solicitors, of which firm C R Galbraith is a partner, in respect of legal costs and advice amounting to \$126,337 exclusive of GST of which no amount was outstanding at 30 June 2002.

Indemnification and Insurance of Officers and Auditors

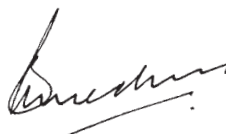
The company has agreements with each of the directors of the company in office at the date of this report, and certain former directors, indemnifying these officers against liabilities to any person other than the company or a related body corporate that may arise from their acting as officers of the company notwithstanding that they may have ceased to hold office, except where the liability arises out of conduct involving a lack of good faith.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

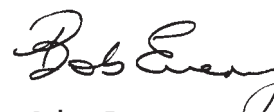
Rounding of Amounts

The company is of the kind referred to in the ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars or, where the amount is \$50,000 or less, zero, unless specifically stated to be otherwise.

Signed in Sydney this 20th day of August 2002 in accordance with a resolution of directors.



Peter Smedley
Chairman



Robert Every
Managing Director

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Current Assets					
Cash assets	26	11.4	14.1	–	–
Receivables	6	427.2	432.9	87.9	14.9
Other financial assets	7	25.6	128.6	–	–
Inventories	8	574.1	540.3	–	–
Other	9	9.9	46.2	–	–
Total Current Assets		1,048.2	1,162.1	87.9	14.9
Non-Current Assets					
Other financial assets	10	9.0	9.2	1,161.7	1,161.7
Property, plant and equipment	11	1,160.0	1,224.2	–	–
Intangibles	12	261.4	234.4	–	–
Deferred tax assets	13	80.7	62.1	–	–
Other	14	22.7	18.8	–	–
Total Non-Current Assets		1,533.8	1,548.7	1,161.7	1,161.7
Total Assets		2,582.0	2,710.8	1,249.6	1,176.6
Current Liabilities					
Payables	15	425.1	444.4	–	–
Interest bearing liabilities	16	33.0	154.8	–	–
Tax liabilities	17	0.9	–	0.4	0.2
Other provisions	17	130.2	158.6	–	13.8
Total Current Liabilities		589.2	757.8	0.4	14.0
Non-Current Liabilities					
Interest bearing liabilities	19	550.0	621.7	–	–
Deferred tax liabilities	20	138.2	136.7	–	–
Other provisions	21	82.0	78.4	–	–
Total Non-Current Liabilities		770.2	836.8	–	–
Total Liabilities		1,359.4	1,594.6	0.4	14.0
Net Assets		1,222.6	1,116.2	1,249.2	1,162.6
Equity					
Contributed equity	22	1,066.6	995.0	1,066.6	995.0
Reserves	23	0.1	1.8	–	–
Retained profits	24	102.8	67.3	182.6	167.6
Parent entity interest		1,169.5	1,064.1	1,249.2	1,162.6
Outside equity interest	25	53.1	52.1	–	–
Total Equity		1,222.6	1,116.2	1,249.2	1,162.6

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Sales revenue	2	2,906.0	2,564.6	–	–
Cost of sales		(2,377.6)	(2,075.0)	–	–
Gross profit		528.4	489.6	–	–
Other revenues from ordinary activities	2	80.5	141.0	36.0	185.2
Operating expenses excluding restructuring and borrowing costs	2	(461.0)	(546.7)	(4.5)	(5.3)
Restructuring costs	2	–	(65.7)	–	–
Borrowing costs	2	(54.4)	(44.1)	–	–
Profit/(loss) from ordinary activities before income tax expense		93.5	(25.9)	31.5	179.9
Income tax (expense)/benefit relating to ordinary activities	3	(39.0)	3.0	(0.4)	(0.3)
Net profit/(loss) from ordinary activities after related income tax		54.5	(22.9)	31.1	179.6
Net profit attributable to outside equity interests		(7.4)	(5.9)	–	–
Net profit/(loss) attributable to members of the parent entity		47.1	(28.8)	31.1	179.6
Net exchange difference on translation of financial statements of self-sustaining foreign operations	23	2.8	3.2	–	–
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		49.9	(25.6)	31.1	179.6
Basic earnings/(loss) per share (cents per share)	4	9.33	(8.84)		
Diluted earnings/(loss) per share (cents per share)	4	9.30	(8.84)		

The accompanying notes form an integral part of this Statement of Financial Performance.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
				Inflows/(outflows)	
Cash flows from operating activities					
Receipts from customers		2,872.0	2,609.2	4.5	5.5
Payments to suppliers and employees		(2,708.6)	(2,473.5)	(4.5)	(3.6)
Dividends received		–	3.0	30.0	177.4
Interest received		2.3	3.1	1.5	–
Interest and other costs of finance paid		(52.3)	(52.4)	–	–
Operating cash flows before income tax		113.4	89.4	31.5	179.3
Income taxes paid		(20.8)	(45.9)	(0.2)	(0.4)
Net operating cash flows	26(b)	92.6	43.5	31.3	178.9
Cash flows from investing activities					
Purchases of property, plant and equipment		(70.8)	(37.9)	–	–
Purchases of investments		–	(0.2)	–	–
Purchase of controlled entities net of their cash	26(c)	–	(121.6)	–	(121.6)
Purchase of businesses		–	(519.7)	–	–
Proceeds from sale of property, plant and equipment		27.4	8.2	–	–
Loan to non-related parties		–	(285.8)	–	–
Repayment of loan by non-related parties		65.9	157.2	–	–
Proceeds from sale of investments		–	111.1	–	–
Proceeds from sale of controlled entities net of their cash	26(d)	28.8	2.4	–	2.4
Net investing cash flows		51.3	(686.3)	–	(119.2)
Cash flows from financing activities					
Proceeds from issue of shares	22	66.3	933.3	66.3	933.3
Proceeds from borrowings		349.0	1,108.0	–	–
Repayment of borrowings		(520.0)	(377.2)	–	–
Repayment of loans from related party		–	(1,725.5)	(73.0)	(979.3)
Proceeds from loans to related party		–	709.6	–	–
Dividends paid		(35.1)	(15.7)	(24.6)	(13.7)
Net financing cash flows		(139.8)	632.5	(31.3)	(59.7)
Net increase/(decrease) in cash and cash equivalents		4.1	(10.3)	–	–
Cash and cash equivalents at beginning of year		7.3	17.4	–	–
Effect of exchange rates on cash and cash equivalents		–	0.2	–	–
Cash and cash equivalents at end of year	26(a)	11.4	7.3	–	–

The accompanying notes form an integral part of this Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

1. Statement of Significant Accounting Policies

Basis of Preparation

These general purpose consolidated financial statements have been prepared for the year ended 30 June 2002 in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Views. It is recommended that this report be read in conjunction with the 30 June 2002 Annual Review and any public announcements made by OneSteel Limited and its controlled entities during the year in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Stock Exchange.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for those in respect of dividend recognition and diluted earnings per share (EPS).

Dividends are now only recognised in the financial statements at the time that they have actually been declared. If dividends have not been declared on or before the reporting date, then no provision for dividend is recognised in the financial statements.

The revised Accounting Standard AASB 1027 "Earnings per Share" has been adopted for the calculation of basic and diluted earnings per share.

Basic EPS is calculated as net profit attributable to members divided by the weighted average number of ordinary shares.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the Australian dollar or in the prices of specific assets.

Principles of Consolidation

The consolidated entity referred to as the OneSteel Group includes the chief entity, OneSteel Limited ("OneSteel"), and its controlled entities (together "OneSteel Group"). A list of controlled entities is contained in note 31.

Where the cost of OneSteel's interest in a controlled entity exceeds the fair value of net identifiable assets of that controlled entity at the date of acquisition, the difference is brought to account as goodwill which is included in the statement of financial performance under the heading of intangibles.

Where the cost of OneSteel's interest in a controlled entity is less than the fair value of net identifiable assets of that controlled entity at the date of acquisition, the difference, being a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired.

In preparing the financial statements, the effects of all transactions between entities within the OneSteel Group have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Foreign Currency Transactions

Transactions

Transactions in foreign currencies are translated at rates of exchange that approximate those applicable at the date of each transaction. Foreign currency amounts payable or receivable arising from these transactions are translated at the rates of exchange applicable at balance date. The effect of hedging is taken to account in the measurement of the relevant transactions. Exchange fluctuations arising from foreign currency transactions and amounts outstanding are taken directly to the Statement of Financial Performance.

Translation of controlled foreign entities

Exchange fluctuations arising from the translation of net assets of self-sustaining foreign operations are translated using the current rate method and are taken directly to the foreign currency translation reserve.

Revenue

Sales revenue represents revenue earned from the sale of products or services net of returns, trade allowances and duties. Sales revenue is recognised or accrued at the time of the provision of the product or service. The recognition criteria for sale of goods is when control of the goods has passed to the buyer.

Dividend income is brought to account when received.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance leases and net receipt or payment from interest rate swaps. Borrowing costs are expensed except where they relate to the financing of projects under construction where they are capitalised up to the date of commissioning or sale.

Exploration, Evaluation and Development Expenditure

Exploration and evaluation expenditure is charged against earnings as incurred, except in the case of areas of interest where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- at balance date, exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Statement of Significant Accounting Policies (continued)

In these cases, the expenditure is capitalised. Where the expenditure together with the relevant development costs are capitalised, the amounts so capitalised are amortised over the period of benefit. Each area of interest is reviewed regularly to determine its economic viability, and to the extent that it is considered that the relevant expenditure will not be recovered, it is written off in the year in which the shortfall is identified.

Capitalisation of Expenses

Expenses are capitalised in relation to capital projects when they are integral to achieving the required outcome of the project. The costs capitalised would include full time people involved in the project (design, engineering, project management) and pre commissioning costs. Other areas of capitalised expenses are covered under the accounting policies on borrowing costs and deferred stripping.

Research Expenditure

Expenditure for research is charged against earnings as and when incurred on the basis that continuing research is part of the overall cost of being in business, except to the extent that future benefits deriving from those costs are expected beyond any reasonable doubt to exceed those costs, in which case it is capitalised and amortised over the period of the expected benefit.

Provision for Restoration and Rehabilitation

Provision for restoration and rehabilitation is made in the financial statements on a progressive basis for restoration and rehabilitation costs, mainly in areas from which natural resources are extracted.

Estimates are based on current costs and current technology, allowing for potential recoveries (if any), determined on an undiscounted basis encompassing the closure and removal or disposal of facilities, site clean up and rehabilitation. Much of the restoration and rehabilitation work can be done only after the termination of operations, which will generally be many years hence, and accordingly the consideration of work required takes into account current and anticipated legal obligations and industry best practice.

The charge to income is generally determined on a units of production basis so that full provision is made by the end of the asset's economic life. Estimates are reassessed annually and the effects of changes are recognised prospectively.

Taxation

The consolidated Statement of Financial Position has been prepared applying the principles of tax effect accounting, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. The provision for deferred income tax (non-current liability) and the future income tax benefit (non-current asset) represent the tax effect of timing differences which arise from the recognition in the financial statements of items of revenue and expense in periods different to those in which they are assessable or allowable for income tax purposes. Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

Deferred tax balances are carried at the rates that are expected to apply when the balances are settled.

A net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Classification of Assets and Liabilities

Assets and liabilities are classified as current and non-current. Current assets are cash or other assets that would in the ordinary course of business be consumed or converted into cash within 12 months. Current liabilities are liabilities that would in the ordinary course of business be due and payable within 12 months.

Non-Current Assets

Non-current assets are generally accounted for on an historical cost basis. Recoverable amounts have been determined having regard to their anticipated net realisable value on sale, or expected net cash flows from operations discounted to present values.

Cash Assets

For Statement of Financial Position purposes, cash includes cash on hand, cash at bank and deposits available at immediate or 24-hour call with financial institutions. For the purpose of the consolidated Statement of Cash Flows, cash is defined as cash and cash equivalents and are stated at nominal value. Cash equivalents include highly liquid investments which are readily convertible to cash, bank overdrafts and borrowings at call.

Other Financial Assets

Interests in non-subsiary, non-associated corporations are included in investments at the lower of cost and recoverable amount.

Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average cost. For processed inventories, cost, which includes fixed and variable overheads, is derived on an absorption costing basis.

Deferred Stripping Costs

The costs associated with removing overburden from mines are initially capitalised as deferred stripping (refer note 14). The costs are then amortised to the Statement of Financial Performance by allocating a cost to each tonne of ore mined based on the waste to ore ratio of the mine over its entire life.

Property, Plant and Equipment

Valuation in financial statements

Property, plant and equipment are carried at cost and depreciated over their useful economic lives.

Disposals

Disposals are taken to account in operating profit in the period in which they are disposed.

Depreciation of property, plant and equipment

Depreciation is provided on buildings, plant, machinery and other items used in producing revenue, at rates based on the useful life of the asset to the OneSteel Group, on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Statement of Significant Accounting Policies (continued)

The following table indicates the typical expected economic lives of property, plant and equipment on which the depreciation charges are based:

Buildings:	From 20 to 40 years
Plant and equipment:	From 3 to 30 years
Exploration, evaluation and development expenditures carried forward:	Based on the estimated life of reserves on a unit of production basis
Capitalised leased assets:	Up to 30 years or life of lease, whichever is shorter.

The rates are reviewed and reassessed periodically in the light of technical and economic developments.

Leased Assets

Operating lease assets are not capitalised, and except as described below, rental payments are charged against operating profit in the period in which they are incurred. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

Intangible Assets

Amounts paid for identifiable (patents, trademarks and licences) and unidentifiable (goodwill) intangible assets are capitalised and then amortised on a straight line basis over the expected periods of benefit. The maximum amortisation period applied for goodwill is 20 years and unamortised balances are reviewed at each balance date to assess the probability of continuing future benefits exceeding the carrying value of the related intangible assets.

Provision for Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave, long service leave and workers' compensation.

All on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax, are included in the determination of provisions. Annual leave and the current portion of long service leave and workers' compensation provisions are measured at their nominal amounts.

The OneSteel Group contributes to defined benefit and defined contribution superannuation plans. Contributions to these funds are charged against income as they become payable.

Financial Instruments Included in Equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the OneSteel shareholders.

Financial Instruments Included in Liabilities

Loans, debentures and notes payable are recognised when issued at the amount of the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest is recognised as an expense on an effective yield basis.

Interest rate swaps are recognised as either an asset or liability, measured by reference to amounts payable or receivable calculated on a proportionate time basis.

Cross currency swaps are recognised as either an asset or liability, measured at the net of the amounts payable and receivable.

Financial Instruments Included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered unlikely. Any provision established is based on a review of all outstanding amounts at balance date.

Bank deposits, bills of exchange, promissory notes, loans, marketable securities and marketable equity securities are carried at cost.

Employee Share and Option Ownership Schemes

Certain employees are entitled to participate in share and option ownership schemes. The details of the schemes are described in note 27. No remuneration expense is recognised in respect of employee shares and options issued.

Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

Derivatives

The OneSteel Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and uses derivative financial instruments to hedge these risks. Hedge accounting principles are applied whereby derivatives undertaken for the purpose of hedging are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both matured and unmatured transactions. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be recognised in the Statement of Financial Performance whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

- deferred and included in the measurement of the anticipated transaction when it occurs; or
- recognised in the Statement of Financial Performance at the date of termination where the anticipated transaction is no longer expected to occur.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures as a result of the first-time application of revised Accounting Standards AASB 1005 "Segment Reporting" and AASB 1027 "Earnings per Share".

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Profit and Loss Items

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Profit/(loss) from ordinary activities is after crediting the following revenues:					
Sales revenues:					
Product sales		2,899.2	2,562.7	–	–
Rendering of services		6.8	1.9	–	–
Total sales revenue		2,906.0	2,564.6	–	–
Other revenues:					
Interest from controlled entity		–	–	1.5	–
Interest from other persons		2.3	3.1	–	–
Dividends from wholly owned group		–	–	30.0	177.4
Proceeds from sale of non-current assets		55.2	121.7	–	2.4
Email management fee		10.4	5.0	–	–
Other		12.6	11.2	4.5	5.4
Total other revenues		80.5	141.0	36.0	185.2
Profit/(loss) from ordinary activities is after charging the following expenses:					
Manufacturing expenses		67.3	77.8	–	–
Distribution expenses		83.3	78.1	–	–
Marketing expenses		89.7	91.8	–	–
Administrative expenses		147.8	153.9	–	–
Other expenses		25.6	25.0	4.5	3.6
Cost of sale of non-current assets		47.3	120.1	–	1.7
Total operating expenses excluding borrowing costs		461.0	546.7	4.5	5.3
Restructuring costs:					
Closure of the Brisbane Bar Mill		–	–	–	–
Redundancies and other costs		–	5.2	–	–
Write off of fixed assets		–	22.5	–	–
Write off of goodwill		–	22.3	–	–
Other restructuring costs		–	15.7	–	–
Total restructuring costs		–	65.7	–	–
Borrowing costs:					
Interest paid or payable to:					
Other unrelated parties		50.3	40.0	–	–
Amortisation of loan facility fees		4.1	4.1	–	–
Total borrowing costs		54.4	44.1	–	–
Included in the cost of sales, operating expenses and restructuring costs are the following items:					
Depreciation and amortisation					
Depreciation of property, plant and equipment		84.2	100.1	–	–
Amortisation of goodwill		18.9	37.0	–	–
Restructuring costs		12.2	–	–	–
Superannuation company contributions (all funds)	27	38.6	35.3	–	–
Other expense items:					
Foreign exchange (gains)/losses		–	0.1	–	–
Net bad debts written off		1.2	2.8	–	–
Net charge to provision for doubtful debts		0.2	0.5	–	–
Research and development costs		7.1	1.0	–	–
Net (gain)/loss on sale of non-current assets		(7.9)	(1.6)	–	(0.7)
Write down of inventory to net realisable value		0.5	3.7	–	–
Operating lease rentals		23.4	22.0	–	–
Provision for employee entitlements		75.2	54.5	–	–
Provision for restoration and rehabilitation		0.8	0.6	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Income Tax Expense/(Benefit)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Income tax arising from items taken to operating profit				
The prima facie tax on operating profit differs from the income tax provided in the accounts and is calculated as follows				
Profit/(loss) from ordinary activities before income tax	93.5	(25.9)	31.5	179.9
Tax calculated at 30 cents (34 cents in 2001) in the dollar	28.0	(8.8)	9.4	61.2
Tax effect of permanent and other differences:				
Rebate for dividends	–	–	(9.0)	(60.3)
Amounts under/(over) provided in prior years	2.8	(3.9)	–	–
Research and development incentive	(0.5)	(0.2)	–	–
Non-deductible accounting depreciation and amortisation	7.2	14.8	–	–
Tax rate differential – non-Australian income	0.7	(0.2)	–	–
Employee share plan	–	(0.3)	–	(0.3)
Non-deductible expenses	0.4	0.6	–	–
Capital gains taxable/(not taxable)	0.4	(2.8)	–	(0.3)
Restatement of deferred tax balances due to income tax rate change	–	(2.2)	–	–
Total income tax expense/(benefit)	39.0	(3.0)	0.4	0.3

4. Earnings per Share

	CONSOLIDATED	
	2002 \$m	2001 \$m
The following reflects the earnings and share data used in the calculations of basic and diluted earnings per share:		
(a) Earnings		
Net profit/(loss)	54.5	(22.9)
Net profit attributable to outside equity interest	(7.4)	(5.9)
Earnings used in calculating basic and diluted earnings per share	47.1	(28.8)

	Number of Shares	
	2002	2001
(b) Number of Ordinary Shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	504,513,688	325,403,303
Dilutive effect of executive share options (a)	1,470,649	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	505,984,337	325,403,303

(a) Executive share options relate solely to ordinary shares.

All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive – details are provided in note 27 Employee Entitlements.

Issues After 30 June 2002

Since the end of the financial year, the following number of ordinary shares have been issued:

54,354 ordinary shares pursuant to the employee share schemes – refer to note 27 Employee Entitlements for details of these schemes.

61,774 ordinary shares from the exercise of options by former executive employees.

These shares have not been included in the calculation of basic EPS as at 30 June 2002. There have been no other subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Segment Information

2002	AUSTRALIA					INTERNATIONAL		CONSOLIDATED \$m
	Manufacturing \$m	Distribution \$m	Unallocated \$m	Eliminations \$m	Total \$m	Distribution \$m	Eliminations \$m	
Segment revenues								
Revenues from customers outside the consolidated entity	1,150.3	1,526.0	21.5	–	2,697.8	288.7	–	2,986.5
Plus: Inter-segment revenues	577.6	5.8	12.8	(580.5)	15.7	0.5	(16.2)	–
Total revenues	1,727.9	1,531.8	34.3	(580.5)	2,713.5	289.2	(16.2)	2,986.5
Other non-cash expenses	(0.2)	(1.0)	–	–	(1.2)	–	–	(1.2)
Earnings before depreciation and amortisation	148.8	94.5	(9.2)	(1.2)	232.9	30.7	(12.6)	251.0
Depreciation and amortisation	(64.5)	(32.7)	(0.3)	–	(97.5)	(5.6)	–	(103.1)
Earnings before interest and tax	84.3	61.8	(9.5)	(1.2)	135.4	25.1	(12.6)	147.9
Less: Borrowing costs								(54.4)
Less: Income tax expense								(39.0)
Profit after tax before minority interests								54.5
Segment assets	1,461.3	980.1	64.6	(133.5)	2,372.5	131.7	(2.9)	2,501.3
Plus: Tax assets								80.7
Total assets								2,582.0
Segment liabilities	275.1	184.7	776.6	(49.6)	1,186.8	33.5	–	1,220.3
Plus: Tax liabilities								139.1
Total liabilities								1,359.4
Non-current assets on acquisition	40.6	69.3	6.7	–	116.6	3.0	–	119.6

2001	AUSTRALIA					INTERNATIONAL		CONSOLIDATED \$m
	Manufacturing \$m	Distribution \$m	Unallocated \$m	Eliminations \$m	Total \$m	Distribution \$m	Eliminations \$m	
Segment revenues								
Revenues from customers outside the consolidated entity	1,027.6	1,239.7	126.1	–	2,393.4	312.2	–	2,705.6
Plus: Inter-segment revenues	373.1	5.3	5.3	(361.3)	22.4	–	(22.4)	–
Total revenues	1,400.7	1,245.0	131.4	(361.3)	2,415.8	312.2	(22.4)	2,705.6
Other non-cash expenses	(0.2)	(1.9)	–	–	(2.1)	(0.7)	–	(2.8)
Earnings before depreciation and amortisation	89.5	70.7	(26.5)	(2.7)	131.0	29.3	(5.0)	155.3
Depreciation and amortisation	(103.1)	(26.7)	(0.5)	–	(130.3)	(6.8)	–	(137.1)
Earnings before interest and tax	(13.6)	44.0	(27.0)	(2.7)	0.7	22.5	(5.0)	18.2
Less: Borrowing costs								(44.1)
Less: Income tax expense								3.0
Profit after tax before minority interests								(22.9)
Segment assets	1,530.6	916.2	177.9	(176.5)	2,448.2	172.7	(3.4)	2,617.5
Plus: Tax assets								93.3
Total assets								2,710.8
Segment liabilities	290.6	195.8	967.3	(49.5)	1,404.2	53.7	–	1,457.9
Plus: Tax liabilities								136.7
Total liabilities								1,594.6
Non-current assets on acquisition	327.0	101.9	0.8	–	429.7	6.9	–	436.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Segment Information (continued)**Segment Activities – Australia***Manufacturing*

Whyalla Steelworks produces steel billets as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.

Sydney Steel Mill produces steel billets for the manufacture of reinforcing and bar products on its own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities.

Rod & Bar manufactures products in its Bar Mill and Rod Mill at Newcastle used in a range of applications such as manufacturing, construction, mining and automotive industries.

Pipe & Tube manufactures product for the construction, mining, oil and gas and manufacturing industries from its mills in Newcastle, Melbourne, Port Kembla and Perth.

Wire manufactures wire and steel rope for use in the construction, mining, manufacturing and agricultural industries from its mills in Newcastle and Geelong.

Distribution

OneSteel's Distribution business has centres located throughout Australia in capital cities and regional areas, providing a wide range of products to resellers and end users. Products include structural steel, steel plate, angles, channels, flat steel, reinforcing steel, steel sheet and coil, a range of aluminium products, pipes, fittings, valves and other industrial products.

Segment Activities – International*Distribution*

Comprises the 50.3% shareholding in Steel & Tube Holdings Ltd, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and associated products in the construction, manufacturing and rural industries. The 2001 comparatives also included the Canadian business of A J Forsyth & Company Limited, which was divested in October 2001.

Intra/Inter Segment Transfers

The Australian manufacturing segment sells manufactured products such as structural steel, angles, channels, flat steel, reinforcing bar and mesh, pipe and tube products to the Australian and New Zealand Distribution segments.

Transfer Pricing Arrangements

All sales between the segments are conducted on an arm's length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party.

6. Receivables (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Trade receivables due from:				
Other unrelated parties ^(a)	383.7	390.8	–	–
Provision for doubtful debts	(3.3)	(4.3)	–	–
	380.4	386.5	–	–
Trade receivables due from related parties	0.3	0.7	–	–
Total trade receivables	380.7	387.2	–	–
Non-trade receivables due from:				
Other unrelated parties	46.5	45.7	–	–
Controlled entities	–	–	87.9	14.9
Total current receivables	427.2	432.9	87.9	14.9

(a) The value of trade receivables at 30 June 2002 would have been \$95.7m (2001: \$94.2m) higher but for the sale of such receivables under a debtors securitisation programme. Collections of \$125.2m (2001: \$117.0m) were held on behalf of the purchasers of the receivables at 30 June 2002 and have been classified as other creditors. A reserve of \$20m is held in non-trade receivables in relation to the sale of receivables programme.

7. Other Financial Assets (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Loan to Smorgon Distribution Limited	25.6	128.6	–	–

The loan to Smorgon Distribution Limited (SDL) represents the balance remaining from the \$285.8m initially contributed for the joint bid for Email Limited by OneSteel Limited and Smorgon Steel Ltd in 2001. The loan balance will be reduced by the sale of the remaining Email businesses and assets. The loan is interest free.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Inventories (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Inventories valued at the lower of cost and net realisable value				
Raw materials				
At net realisable value	0.2	0.3	–	–
At cost	95.2	93.0	–	–
	95.4	93.3	–	–
Work in progress				
At net realisable value	4.1	8.8	–	–
At cost	34.5	24.7	–	–
	38.6	33.5	–	–
Finished goods				
At net realisable value	16.8	17.5	–	–
At cost	335.3	304.9	–	–
	352.1	322.4	–	–
Stores, spares and other				
At net realisable value	2.2	–	–	–
At cost	85.8	91.1	–	–
	88.0	91.1	–	–
Total current inventories				
At net realisable value	23.3	26.6	–	–
At cost	550.8	513.7	–	–
Total current inventories	574.1	540.3	–	–

9. Other Assets (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Deferred borrowing costs	2.1	4.1	–	–
Prepaid income tax	–	31.2	–	–
Other prepayments	6.9	9.0	–	–
Other	0.9	1.9	–	–
Total other current assets	9.9	46.2	–	–

10. Other Financial Assets (Non-Current)

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Shares in controlled entities					
Which are not quoted on prescribed stock exchanges					
Shares at cost	31	–	–	1,152.7	1,152.7
Shares in other corporations					
Which are not quoted on prescribed stock exchanges					
Shares at cost		9.0	9.2	9.0	9.0
Total other non-current financial assets		9.0	9.2	1,161.7	1,161.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Property, Plant and Equipment

	CONSOLIDATED				
	Land \$m	Buildings \$m	Plant and Equipment \$m	Exploration and Development Expenditures \$m	Total \$m
Cost					
Opening balance	113.5	295.9	1,280.5	10.7	1,700.6
Additions	–	2.1	68.7	–	70.8
Disposals	(5.1)	(25.1)	(56.3)	–	(86.5)
Fair value adjustment for Email acquisition ^(a)	(0.2)	(2.7)	(5.6)	–	(8.5)
Closing balance	108.2	270.2	1,287.3	10.7	1,676.4
Accumulated depreciation					
Opening balance	–	66.4	409.6	0.4	476.4
Depreciation for the year	–	9.3	74.3	0.6	84.2
Disposals	–	(4.9)	(39.3)	–	(44.2)
Closing balance	–	70.8	444.6	1.0	516.4
Net	108.2	199.4	842.7	9.7	1,160.0

(a) Refer to explanatory comment on note 12.

Current value of land and buildings based on estimated values used at the time of spin-out from BHP (October 2000) 342.5

	CONSOLIDATED				
	Land \$m	Buildings \$m	Plant and Equipment \$m	Exploration and Development Expenditures \$m	Total \$m
Cost					
Opening balance	87.4	184.1	639.2	–	910.7
Additions	–	15.9	22.0	–	37.9
Disposals	(0.6)	(0.5)	(18.8)	–	(19.9)
Acquisitions through subsidiaries and businesses acquired	26.7	96.4	638.1	10.7	771.9
Closing balance	113.5	295.9	1,280.5	10.7	1,700.6
Accumulated depreciation					
Opening balance	–	58.2	334.2	–	392.4
Depreciation for the year	–	8.2	91.5	0.4	100.1
Disposals	–	–	(16.1)	–	(16.1)
Closing balance	–	66.4	409.6	0.4	476.4
Net	113.5	229.5	870.9	10.3	1,224.2

12. Intangibles (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Goodwill at cost	412.7	370.9	–	–
Accumulated amortisation	(151.3)	(136.5)	–	–
Total non-current intangibles	261.4	234.4	–	–

Gross goodwill increased by \$41.8m due predominantly to an increase in goodwill for the purchase of Email businesses, following the consideration received for the sale of the residual businesses and a review of the fair value allocations and restructuring provisions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Deferred Tax Assets (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Future income tax benefits				
– attributable to timing differences	73.8	62.1	–	–
– attributable to tax losses	6.9	–	–	–
Total non-current deferred tax assets	80.7	62.1	–	–

14. Other Assets (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Deferred borrowing costs	2.1	4.2	–	–
Deferred stripping costs	20.6	14.6	–	–
Total other non-current assets	22.7	18.8	–	–

15. Payables (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Trade creditors	257.1	256.7	–	–
Other creditors ^(a)	168.0	187.7	–	–
Total current payables	425.1	444.4	–	–

(a) Collections of \$125.2m (2001: \$117.0m) were held on behalf of the purchasers of receivables under a debtors securitisation programme at 30 June 2002 and have been classified as other creditors.

16. Interest Bearing Liabilities (Current)

	Note	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Current portion of long-term loans					
Bank loans unsecured	19	–	4.0	–	–
Short-term unsecured borrowings					
Bank loans ^(a)		33.0	144.0	–	–
Bank overdraft		–	6.8	–	–
Total current interest bearing liabilities		33.0	154.8	–	–

(a) (i) Bank loans primarily comprise \$25m of drawdowns of a working capital facility provided by the National Australia Bank. The loan has an average interest rate of 5.31% and is due for repayment in July 2002.

(ii) The balance of the Bank loans comprises \$8m of loans provided to the Steel & Tube Holdings Group by the ANZ Bank New Zealand. These loans have an average interest rate of 5.9% and are due for repayment in November 2002.

17. Other Provisions (Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Income tax payable	0.9	–	0.4	0.2
Other provisions				
Dividends	–	13.8	–	13.8
Employee entitlements	78.0	77.3	–	–
Restoration and rehabilitation	2.3	3.9	–	–
Restructuring	11.5	19.6	–	–
Email restructuring costs	27.6	39.5	–	–
Other	10.8	4.5	–	–
Total other current provisions	130.2	158.6	–	13.8

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Self-Insurance Workers' Compensation Provision

	CONSOLIDATED	
	2002 \$m	2001 \$m
Obligations under self-insurers workers' compensation licences included in provision for employee entitlements		
New South Wales	19.3	20.7
Queensland	4.5	5.5
Victoria	3.2	2.8
South Australia	4.2	4.1
Western Australia	0.9	0.7
Total self-insurance workers' compensation provision	32.1	33.8

19. Interest Bearing Liabilities (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Bank loans unsecured ^(a)	550.0	625.7	–	–
less: Amounts repayable within 12 months (note 16)	–	(4.0)	–	–
Total non-current interest bearing liabilities	550.0	621.7	–	–

(a) Bank loans comprise \$550m of loans provided to the OneSteel Group by a syndicate of banks. These loans have an average interest rate of 5.7% and repayment dates vary from October 2003 to October 2005. The bank loans are subject to the terms and conditions of the loan agreements with the banks.

20. Deferred Tax Liabilities (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Provision for deferred income tax – attributable to timing differences	138.2	136.7	–	–
Total non-current deferred tax liabilities	138.2	136.7	–	–

21. Other Provisions (Non-Current)

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Employee entitlements	65.5	63.6	–	–
Restoration and rehabilitation	16.5	14.8	–	–
Total other non-current provisions	82.0	78.4	–	–

22. Contributed Equity

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Issued and paid-up:				
Ordinary shares	1,066.6	995.0	1,066.6	995.0
Total contributed equity	1,066.6	995.0	1,066.6	995.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Contributed Equity (continued)

Movements in contributed equity for the year:

	Number of Ordinary Shares		Value of Ordinary Shares	
	2002 000's	2001 000's	2002 \$m	2001 \$m
On issue at beginning of year	460,278	29,550	995.0	59.1
Issued during the year				
under a share placement ^(a)	69,777	416,504	66.3	933.3
Less: costs associated with share placement	–	–	(1.3)	–
under the Employee Share Ownership Scheme ^(b)	2,008	7,144	–	–
under the Executive Long Term Incentive Plan ^(c)	638	4,179	–	–
from the exercise of options ^(d)	1,417	–	1.3	–
under the Dividend Reinvestment Plan ^(e)	4,483	2,901	5.3	2.6
On issue at end of year	538,601	460,278	1,066.6	995.0

(a) On 5 December 2001 OneSteel Limited issued 69,776,868 ordinary shares to investors under a share placement at \$0.95 per share.

(b) Refer to note 27 Employee Entitlements for details of the Employee Share Ownership Scheme.

(c) Refer to note 27 Employee Entitlements for details of the Executive Long Term Incentive Plan.

(d) Issued from the exercise of options under the Executive Long Term Incentive Plan.

(e) The Dividend Reinvestment Plan provides shareholders with an opportunity to acquire additional ordinary shares in lieu of cash dividends. Shares were issued at \$0.9203 (Oct 2001) and \$1.4105 (April 2002).

(f) During the year 1,106,580 options were issued to senior executives under the Executive Long Term Incentive Plan and at the end of the year there were 5,260,660 (2001: 5,571,460) options outstanding as issued from this Plan – refer to note 27 Employee Entitlements.

Terms and Conditions of Contributed Equity*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

23. Reserves

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Foreign Currency Translation Reserve				
Opening balance	1.8	(1.4)	–	–
Exchange fluctuations on overseas net assets	2.8	3.2	–	–
Transfer to retained profits ^(a)	(4.5)	–	–	–
Closing balance	0.1	1.8	–	–

(a) Divestment of A J Forsyth & Company Limited.

Nature and Purpose of Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Retained Profits and Dividends

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Retained profits at the beginning of the financial year	67.3	123.6	167.6	15.5
Reversal of dividend provided 30 June 2001 ^(a)	13.8	–	13.8	–
Payment of dividend provided 30 June 2001 ^(a)	(13.8)	–	(13.8)	–
Dividends provided and paid in current year	(16.1)	(27.5)	(16.1)	(27.5)
Transfer from foreign currency translation reserve ^(b)	4.5	–	–	–
Net profit/(loss)	47.1	(28.8)	31.1	179.6
Retained profits at the end of the financial year	102.8	67.3	182.6	167.6
Retained profits and reserves that could be distributed as dividends and franked out of existing franking credits	16.4	3.6	0.6	0.1

(a) Change in accounting policy for dividend recognition – refer to note 1 Significant Accounting Policies.

(b) Divestment of A J Forsyth & Company Limited.

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

2002	On Ordinary Shares \$m	Dividend per Ordinary Share \$
Final fully franked dividend for 2001 as recommended and declared by the directors, paid 18 October 2001	13.8	0.03
Interim fully franked dividend for 2002 paid 24 April 2002	16.1	0.03

2001	Dividend per Ordinary Share 2001 \$m
Interim fully franked dividend for 2001 paid 26 April 2001	0.03

Dividend Franking

All dividends paid were fully franked.

25. Outside Equity Interests in Controlled Entities

	CONSOLIDATED	
	2002 \$m	2001 \$m
Outside equity interests in controlled entities at balance date		
Share capital – ordinary	27.7	27.5
Retained profits	25.4	24.6
Total outside equity interests in controlled entities	53.1	52.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Cash	11.4	14.1	–	–
Bank overdrafts	–	(6.8)	–	–
Total cash and cash equivalents	11.4	7.3	–	–

(b) Reconciliation of Net Profit/(Loss) After Income Tax to Net Cash Provided by Operating Activities

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Net profit/(loss) after income tax	54.5	(22.9)	31.1	179.6
Adjusted for non-cash items:				
Depreciation and amortisation	103.1	137.1	–	–
Bad debts written off	1.2	2.8	–	–
Net gain on sale of fixed assets	(5.4)	(0.9)	–	–
Net gain on sale of investments	(2.5)	(0.7)	–	(0.7)
Changes in assets and liabilities net of effects from purchase and sale of controlled entities and businesses:				
(Increase)/Decrease in receivables	(13.2)	0.6	0.2	–
(Increase)/Decrease in inventories	(47.0)	(47.7)	–	–
(Increase)/Decrease in future income tax benefit	(15.1)	(15.4)	–	–
(Increase)/Decrease in other assets	7.9	(10.1)	–	–
Increase/(Decrease) in deferred tax provision	2.8	27.6	–	–
Increase/(Decrease) in payables	(8.3)	26.7	–	–
Increase/(Decrease) in other provisions	14.6	(53.6)	–	–
Net operating cash flow	92.6	43.5	31.3	178.9

Non-Cash Investing and Financing Activities

During the year dividends of \$5.3m (2001:\$2.6m) were paid by the issue of shares under a dividend reinvestment plan.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Notes to the Statement of Cash Flows (continued)**(c) Controlled Entities Acquired**

The following controlled entities were acquired by the OneSteel Group at the dates stated and their operating results have been included in the Statement of Financial Performance from the relevant date.

Entity and Consideration Given	Date Acquired	Proportion of Shares Acquired	CONSOLIDATED	
			2002 \$m	2001 \$m
OneSteel Manufacturing Pty Limited Cash	1 July 2000	100%	–	13.0
OneSteel NSW Pty Limited Cash	1 July 2000	100%	–	5.5
OneSteel Investments Pty Limited Cash	1 July 2000	100%	–	–
OneSteel Queensland Pty Limited Cash	1 October 2000	100%	–	97.2
Pipeline Supplies New Zealand Limited Cash	1 May 2001	100%	–	5.1
Total consideration			–	120.8
The amounts of assets and liabilities acquired by major class are:				
Cash			–	1.4
Receivables			–	77.2
Inventories			–	51.2
Investments			–	121.6
Property, plant and equipment			–	272.5
Goodwill on acquisition			–	42.2
Other assets			–	0.2
Payables			–	(382.1)
Bank overdraft			–	(2.2)
Provisions			–	(61.2)
Outside equity interest			–	–
			–	120.8
Outflow of cash to acquire the entities, net of cash acquired:				
Cash consideration			–	120.8
Cash acquired			–	(1.4)
Bank overdraft acquired			–	2.2
Outflow of cash			–	121.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Notes to the Statement of Cash Flows (continued)**(d) Controlled Entities Sold**

Shares in the following controlled entities were sold by the OneSteel Group at the dates stated.

Entity and Consideration Given	Date of Disposal	Proportion of Shares Disposed	CONSOLIDATED	
			2002 \$m	2001 \$m
A J Forsyth & Company Limited Cash	14 October 2001	100%	27.8	-
BHP Titan Limited Cash	30 September 2000	100%	-	2.4
BHP Steel Southern Africa Pty Limited Cash	30 September 2000	100%	-	-
The carrying amounts of assets and liabilities disposed of by major class are:				
Receivables			12.8	0.9
Inventories			13.1	-
Investments			0.2	-
Property, plant and equipment			21.0	0.7
Intangibles			2.9	-
Other assets			0.7	-
Payables			(6.0)	-
Bank overdraft			(1.0)	-
Borrowings			(16.4)	-
Provisions			(2.0)	(0.1)
			25.3	1.5
Inflow of cash on disposal of entities, net of cash disposed:				
Cash proceeds			27.8	2.4
Bank overdraft disposed			1.0	-
Inflow of cash			28.8	2.4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Employee Entitlements

	CONSOLIDATED	
	2002	2001
The number of employees employed at 30 June are:	6,989	7,379
(a) Employee Entitlements	\$m	\$m
The aggregate employee entitlement liability is comprised of:		
Provisions (current)	46.0	43.5
Provisions (non-current)	65.5	63.6
	111.5	107.1

(b) Employee Share and Option Ownership Schemes*Employee Share Plans*

Following the initial offer in December 2000, a second offer under the employee share plan was made in December 2001.

Employees with a qualifying period of service of three months as at 1 December 2001 were eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Both plans provide for an initial issue of a free parcel of shares based on the weighted average price of OneSteel shares traded on the Australian Stock Exchange for the five days up to and including the date of issue. The value of the free parcel of shares was \$250 for employees participating in the Tax Exempt Plan and \$500 for employees participating in the Tax Deferred Plan.

Both the Tax Exempt and Tax Deferred Plans also provide for salary sacrifice contributions to purchase shares on-market on a monthly basis.

Executive Share Plan

The executive share plan for senior management provides for the grant of rights to shares and options. There are 50 employees (2001: 47) eligible to participate in the plans. When granted, the shares and options are held in trust until vested in the participant. Vesting is subject to the company achieving specific performance hurdles and a three-year qualifying period. The exercise price of each option is based on the weighted average price of OneSteel shares traded on the Australian Stock Exchange for the five days up to and including the date they are granted.

The performance hurdles relate to two comparative groups (the Australian Consumer Price Index plus 5% and the ASX All Industrials Accumulation Index excluding banks, media and telecommunications) which are measured against OneSteel's performance in terms of total shareholder return.

All options expire on the earlier of their expiry date or termination of the employee's employment. No options expired during the year. The OneSteel Remuneration Committee has a discretion to allow early access to OneSteel shares or options if the participant dies, retires or his or her employment is terminated as a consequence of redundancy.

There are no voting rights attached to the share options held in trust.

Details of the Employee Share and Option Plans are as follows:

EMPLOYEE SHARE PLAN	Ordinary Shares	
	2002	2001
Total number issued to employees during the year ('000's)	2,008	7,144
Total number issued to employees since the commencement of the scheme ('000's)	9,152	7,144
Total number of employees eligible to participate in the scheme	6,305	6,202
Total market value of issues during the year (\$m)	2.0	6.6
Proceeds received and receivable from issues during the year (\$m)	-	-

EXECUTIVE LONG TERM INCENTIVE PLAN	Held in Trust			
	Ordinary Shares		Options	
	2002	2001	2002	2001
Balance at beginning of year ('000's)	4,179	-	5,571	-
Total number of shares issued/options granted during the year ('000's)	861	4,179	1,107	5,571
Total number of options exercised and shares issued ('000's)	-	-	(1,417)	-
Total number of shares vested ('000's)	(487)	-	-	-
Total number of shares/options forfeited ('000's)	(631)	-	-	-
Balance at the end of the year ('000's)	3,922	4,179	5,261	5,571
Total market value of issues during the year (\$m)	0.7	4.0	0.2	NA
Proceeds received and receivable from issues during the year (\$m)	-	-	1.3	NA

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Employee Entitlements (continued)**Details of options held in trust**

	Issue Date	Earliest Exercise Date	Expiry Date	Exercise Price	Options Available '000's	
					2002	2001
	15-Dec-01	16-Dec-03	15-Dec-09	\$0.9258	3,913	5,330
	9-Apr-01	10-Apr-04	9-Apr-10	\$0.8848	241	241
	2-Sep-01	2-Sep-04	2-Sep-10	\$1.0350	36	–
	23-Sep-01	24-Sep-04	23-Sep-10	\$0.9143	30	–
	30-Sep-01	30-Sep-04	30-Sep-10	\$0.9087	233	–
	21-Dec-01	21-Dec-04	21-Dec-10	\$1.0434	808	–
					5,261	5,571

(c) Superannuation

OneSteel Limited and its controlled entities participate in a number of superannuation funds in Australia and New Zealand. The funds provide benefits either on a defined benefit or cash accumulation basis, for employees on retirement, resignation, disablement, or to their dependants on death.

Accumulation funds

The benefits provided by accumulation funds are based on the contributions and income thereon held by the fund on behalf of the member. Contributions are made by the member and the company based on a percentage of the member's salary, as specified by the rules of the fund. These contributions are expensed in the period in which they are incurred.

Defined benefit funds

The benefits provided by defined benefit funds are based on length of service or membership and the salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the rules of the fund.

Employer contributions generally vary based on actuarial advice and may be reduced or even cease when the fund is in actuarial surplus. These contributions are expensed in the period in which they are incurred.

The Defined benefit fund shows a deficiency of \$3.1m as at 30 June 2002 due to the adverse investment returns of the fund. This deficit will be progressively funded by OneSteel.

		2002			
Name of fund	Fund Type	Accrued Benefits \$m	Plan Assets \$m	Net Surplus (Deficit) \$m	Vested Benefits \$m
OneSteel Superannuation Fund	Defined benefit	278.3	275.2	(3.1)	278.3

These amounts are calculated at 30 June 2002, based on assumptions as used for the last actuarial review.

The most recent actuarial investigation was performed by Kevin O'Sullivan FIAA on 30 June 2001. Valuations are normally performed every three years, with the next one due at June 2004.

Numbers disclosed in the 2001 financial statements were for the combined Defined benefit and accumulation funds. Comparative numbers for the Defined benefit fund in 2001 are: Accrued benefits \$319.9m, Plan assets \$326.3m, Surplus \$6.4m and Vested benefits \$319.9m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. Capital Expenditure and Lease Commitments

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Capital expenditure commitments				
Commitments arising from contracts for expenditure in respect of investments and property, plant and equipment to the extent not provided for in the accounts				
Due not later than one year	7.9	7.0	–	–
Capital commitments	7.9	7.0	–	–
Lease expenditure commitments				
Operating leases				
Due not later than one year	24.8	26.7	–	–
Due within one to two years	21.9	20.0	–	–
Due within two to five years	25.7	34.1	–	–
Due later than five years	29.6	28.5	–	–
Total commitments under operating leases	102.0	109.3	–	–

29. Contingent Liabilities

Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:

Guarantees and Indemnities

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Performance of contracts	13.4	15.6	2.5	2.8
Bank guarantees covering workers' compensation self insurance licences	43.3	44.2	43.3	44.2

As explained in note 31 OneSteel has entered into a Deed of Cross Guarantee in accordance with a Class Order issued by the Australian Securities and Investments Commission. OneSteel Limited, and all the controlled entities which are a party to the deed, have guaranteed the repayment of all current and future creditors in the event any of these companies are wound up.

Third Party Claims

The OneSteel Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

30. Financing Arrangements

	CONSOLIDATED		
	Accessible \$m	Drawn Down \$m	Unused \$m
2002			
Accounts receivable securitisation ^(a)	200.0	200.0	–
Working capital facilities ^(b)	65.0	25.0	40.0
Bank loan facility ^(c)	930.2	558.0	372.2
Bank overdraft ^(d)	15.9	–	15.9
Total financing facilities	1,211.1	783.0	428.1

	CONSOLIDATED		
	Accessible \$m	Drawn Down \$m	Unused \$m
2001			
Accounts receivable securitisation	200.0	191.2	8.8
Working capital facility	50.0	–	50.0
Bank loan facility	1,110.0	769.7	340.3
Bank overdraft	17.2	6.8	10.4
Total financing facilities	1,377.2	967.7	409.5

(a) No specified expiry date, uncommitted facility.

(c) Various facilities with a range of expiry dates from November 2002 to October 2005.

(b) Various facilities with a range of expiry dates from October 2002 to June 2003.

(d) Various facilities with a range of expiry dates from October 2002 to March 2003.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. Controlled Entities

The consolidated financial statements at 30 June 2002 include the following entities.

Entity	Notes	Place of Incorporation	% of Shares Held	
			2002	2001
OneSteel Limited	(a)	Australia		
Aquila Steel Company Pty Ltd	(b)	Australia	100	100
Australian Wire Industries Pty Limited	(b)	Australia	100	100
AWI Holdings Pty Limited	(b)	Australia	100	100
Pipeline Supplies of Australia Pty Limited (formerly Corumba Pty Limited)	(b)	Australia	100	100
J Murray-More (Holdings) Pty Limited	(b)	Australia	100	100
John Stansfield-Smith Pty Limited	(b)	Australia	100	100
Metpol Pty Limited	(b)	Australia	100	100
OneSteel Finance Pty Limited		Australia	100	100
OneSteel Investments Pty Limited	(b)	Australia	100	100
OneSteel Manufacturing Pty Limited	(b)	Australia	100	100
OneSteel MBS Pty Limited	(b)	Australia	100	100
OneSteel NSW Pty Limited	(b)	Australia	100	100
OneSteel NZ Limited		New Zealand	100	100
OneSteel Queensland Pty Limited	(b)	Australia	100	100
OneSteel Reinforcing Pty Limited	(b)	Australia	100	100
Onesteel Trading Pty Limited (formerly Tubemakers of Australia Limited)	(b)	Australia	100	100
OneSteel Wire Pty Limited	(b)	Australia	100	100
Reosteel Pty Limited	(b)	Australia	100	100
Tubemakers of New Zealand Limited		New Zealand	100	100
Tubemakers of Australia Pty Ltd (formerly Tubemakers Properties Pty Limited)	(b)	Australia	100	100
Tubemakers Somerton Pty Limited	(b)	Australia	100	100
Steel & Tube Holdings Limited		New Zealand	50.3	50.3
Steel & Tube Reinforcing Limited (formerly CP Reinforcing Limited)		New Zealand	50.3	50.3
Steel & Tube Structural Limited (formerly CP Steel Limited)		New Zealand	50.3	50.3
David Crozier Limited		New Zealand	50.3	50.3
EMCO Group Limited		New Zealand	50.3	50.3
EMCO Group Superannuation Fund Limited		New Zealand	50.3	50.3
Fastening Supplies Limited		New Zealand	50.3	50.3
Steel & Tube Roofing Products Limited (formerly Longrun Industries Limited)		New Zealand	50.3	50.3
Macinery Limited		New Zealand	50.3	50.3
Metal Sales Limited		New Zealand	50.3	50.3
NZMC Limited		New Zealand	50.3	50.3
Robt Stone (Malaysia) Sdn Bhd		Malaysia	50.3	50.3
Steel & Tube New Zealand Limited		New Zealand	50.3	50.3
Steel Warehouse Limited		New Zealand	50.3	50.3
Stewart Steel Limited		New Zealand	50.3	50.3
Stube Industries Limited		New Zealand	50.3	50.3
Pipeline Supplies NZ Limited (amalgamated with Steel & Tube Holdings Limited June 2002)		New Zealand	–	100
A J Forsyth & Company Limited (divested October 2001)		Canada	–	74.7

(a) OneSteel Limited, a public company, is domiciled in Sydney, Australia.

The Registered office is located at:

Level 23
1 York Street
Sydney NSW 2000
Australia

(b) These companies have entered into a deed of cross guarantee dated 26 March 1993 with OneSteel Limited, as amended by an assumption deed dated 22 May 2001, which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. As a result of a Class Order issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

The consolidated Statement of Financial Performance and Statement of Financial Position of all entities in the Class Order "closed group" are set out in footnote (c). The financial years of all controlled entities are the same as that of the parent entity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. Controlled Entities (continued)**(c) Financial Information for Class Order Closed Group****OneSteel Limited Closed Group
Statement of Financial Position
at 30 June**

	CONSOLIDATED	
	2002 \$m	2001 \$m
Current Assets		
Cash assets	9.9	66.7
Receivables	1,100.1	932.4
Inventories	533.1	485.7
Other	8.6	44.4
Total Current Assets	1,651.7	1,529.2
Non-Current Assets		
Investments	34.5	54.4
Property, plant and equipment	1,127.1	1,171.5
Intangibles	256.4	225.4
Deferred tax assets	75.5	60.9
Other	20.6	14.6
Total Non-Current Assets	1,514.1	1,526.8
Total Assets	3,165.8	3,056.0
Current Liabilities		
Payables	397.8	412.6
Interest bearing liabilities	1,274.2	1,235.0
Other provisions	128.3	141.7
Total Current Liabilities	1,800.3	1,789.3
Non-Current Liabilities		
Deferred tax liabilities	138.2	134.2
Other provisions	81.8	79.5
Total Non-Current Liabilities	220.0	213.7
Total Liabilities	2,020.3	2,003.0
Net Assets	1,145.5	1,053.0
Equity		
Contributed equity	1,066.6	995.0
Retained profits	78.9	58.0
Total Equity	1,145.5	1,053.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. Controlled Entities (continued)**OneSteel Limited Closed Group
Statement of Financial Performance
for the year ended 30 June**

	CONSOLIDATED	
	2002 \$m	2001 \$m
Sales revenue	2,655.5	2,277.3
Cost of sales	(2,221.0)	(1,866.2)
Gross profit	434.5	411.1
Other revenues from ordinary activities	82.6	37.3
Operating expenses excluding restructuring and borrowing costs	(383.8)	(375.5)
Restructuring costs	–	(65.7)
Borrowing costs	(54.3)	(50.4)
Profit/(loss) from ordinary activities before income tax	79.0	(43.2)
Income tax (expense)/benefit relating to ordinary activities	(28.2)	9.7
Net profit/(loss) from ordinary activities after related income tax	50.8	(33.5)
Retained profits		
Retained profits at the beginning of the financial year	58.0	119.0
Dividends paid current year	(29.9)	(27.5)
Net profit/(loss)	50.8	(33.5)
Retained profits at the end of the financial year	78.9	58.0

32. Remuneration of Officers**(a) Income of Directors**

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Amounts received or due and receivable by directors of OneSteel Limited	–	–	3.3	2.8
Amounts received or due and receivable by directors of OneSteel Group controlled entities	9.5	7.8	–	–

The numbers of directors of the parent entity who were paid, or were due to be paid, income (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related party, as shown in the following bands, were:

Directors whose total income was between	PARENT	
	2002 Number	2001 Number
\$ 0 – 9,999	–	2
\$ 50,000 – 59,999	–	5
\$ 80,000 – 89,999	5	–
\$ 100,000 – 109,999	–	1
\$ 180,000 – 189,999	–	1
\$ 270,000 – 279,999	1	–
\$ 560,000 – 569,999	–	1
\$ 1,590,000 – 1,599,999	–	1
\$ 2,620,000 – 2,629,999	1	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Remuneration of Officers (continued)**(b) Income of Executives**

	CONSOLIDATED		PARENT	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Amounts received or due and receivable by executive officers (including executive directors) whose income exceeds \$100,000	8.0	5.9	–	–

Executive officers whose total income was between	CONSOLIDATED		PARENT	
	2002 Number	2001	2002 Number	2001
\$ 120,000 – 129,999	–	1	–	–
\$ 160,000 – 169,999	1	–	–	–
\$ 260,000 – 269,999	–	1	–	–
\$ 270,000 – 279,999	1	–	–	–
\$ 290,000 – 299,999	1	–	–	–
\$ 310,000 – 319,999	2	–	–	–
\$ 330,000 – 339,999	1	–	–	–
\$ 350,000 – 359,999	–	1	–	–
\$ 410,000 – 419,999	–	1	–	–
\$ 450,000 – 459,999	1	–	–	–
\$ 580,000 – 589,999	–	1	–	–
\$ 600,000 – 609,999	1	–	–	–
\$ 630,000 – 639,999	1	–	–	–
\$ 690,000 – 699,999	1	–	–	–
\$ 1,050,000 – 1,059,999	–	1	–	–
\$ 1,280,000 – 1,289,999	1	–	–	–
\$ 1,370,000 – 1,379,999	–	1	–	–
\$ 1,640,000 – 1,649,999	–	1	–	–
\$ 2,620,000 – 2,629,999	1	–	–	–

(a) Income of executives comprises amounts paid or payable to executive officers domiciled in Australia, directly or indirectly, by the consolidated entity or any related party in connection with the management of the affairs of the entity or consolidated entity, whether as executive officers or otherwise.

(b) An executive officer is a person who is directly accountable and responsible for the strategic direction and operational management of the OneSteel Group.

33. Remuneration of Auditors

	CONSOLIDATED		PARENT	
	2002 \$	2001 \$	2002 \$	2001 \$
Amounts received or due and receivable by the auditors of the OneSteel Entity for:				
Audit of accounts of OneSteel and its controlled entities ^(a)	800,335	650,398	100,000	100,000
Other services ^(b)	422,516	1,265,521	–	–
	1,222,851	1,915,919	100,000	100,000
Amounts received or due and receivable by the auditors other than the auditors of the OneSteel Entity for:				
Audit of accounts of certain controlled entities	273,299	216,086	–	–
Other services	214,674	213,685	–	–
	487,973	429,771	–	–

(a) The consolidated 2002 amount includes a payment of \$150,000 for additional audit work performed in 2001 in relation to the Email acquisition and assistance with the compilation of the first set of OneSteel annual accounts.

(b) The 2002 amount relates to taxation services \$276,000 and additional advisory services for the Email acquisition. The 2001 amount included advisory services for the Email acquisition.

Arthur Andersen resigned as auditor of the parent entity on 27 May 2002. The directors of the parent entity then resolved to appoint Ernst & Young as auditors of the parent entity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

34. Related Party Disclosures**(a) Directors**

The following persons held the position of director of OneSteel Limited throughout the financial year:

P J Smedley
R L Every
E J Doyle
C R Galbraith
D E Meiklejohn
D A Pritchard
N J Roach.

(b) Directors' Shareholdings

	Number of Shares Issued by Parent Entity 2002	Number of Shares Issued by Controlled Entities 2002
Shares and share options acquired during the year:		
Ordinary shares fully paid	229,110	–
Ordinary share options	–	–
Ordinary share rights	–	–
Shares and share options held at end of the year:		
Directly		
Ordinary shares fully paid	412,084	6,000
Ordinary share options	2,462,735	–
Ordinary share rights	1,847,052	–
Indirectly		
Ordinary shares fully paid	73,442	–

(c) Other Director Transactions

Directors of OneSteel Limited and directors of its related parties, or their director-related entities, conduct transactions with entities within the OneSteel Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at an arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered to be of interest to users of these financial statements.

During the financial year, Colin Galbraith was a partner in the law firm, Allens Arthur Robinson. The firm acted for OneSteel Limited in the provision of legal services on an arm's length fee basis during the financial year. The fees for those services as invoiced during the year were \$126,337 (2001: \$1,640,012), exclusive of GST, of which no amount was outstanding at 30 June 2002.

(d) Transactions with Related Parties in the Wholly Owned Group

In addition to the transactions set out in note 2, the parent entity entered into the following transactions with related parties in the wholly owned group:

- loans were advanced;
- interest was received;
- management fees were received and paid.

These transactions were undertaken on commercial terms and conditions.

The ownership interests in related parties in the wholly owned group are set out in note 31.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

34. Related Party Disclosures (continued)**(e) Transactions with Related Parties**

Transaction Type	Class of Related Party	CONSOLIDATED		PARENT	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Loans to other related parties					
Loan advances	Controlled entities	–	–	87.8	14.9
Interest received	Controlled entities	–	–	1.5	0.1
Other transactions					
Management fees paid	Controlled entities	–	–	4.5	3.5
Management fees received	Controlled entities	–	–	4.5	4.5
Dividends received	Controlled entities	–	–	30.0	177.4
Royalties received	Related entities	–	0.7	–	0.7

(f) Other Related Parties

Bekaert Australia Steel Cord Pty Ltd is 50% owned by OneSteel Limited. Transactions consist of the supply of wire products undertaken on commercial terms and conditions. The value of sales and balances included in the financial statements are:

	2002 \$m	2001 \$m
Sale of goods	2.7	3.1
Trade receivables	0.3	0.7

(g) Ultimate Controlling Entity

The ultimate controlling entity of the OneSteel Group is OneSteel Limited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Financial Instruments**(a) Objectives for Holding Derivative Financial Instruments**

The OneSteel Group uses derivative financial instruments to manage specifically identified interest rate and foreign currency risks. The OneSteel Group is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies, including the United States dollar, Japanese yen and New Zealand dollar and movements in interest rates. The purpose for which specific derivative instruments are used are as follows:

Forward exchange contracts are transacted to hedge the Australian dollar value of foreign currency receipts or payments arising from both anticipated export sales and the purchase of raw materials and products for resale. All foreign currency forward contracts are denominated in a single foreign currency and contracted against Australian and New Zealand dollars.

The OneSteel Group raises short and long term debt at both fixed and floating rates. Interest rate swap agreements are used to convert floating interest rate exposures on a portion of the debt to fixed rates. These swaps entitle the OneSteel Group to receive, or oblige it to pay, the amounts, if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts.

(b) Interest Rate Risk Exposures

The OneSteel Group is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments such as interest rate and cross currency swaps and interest rate options. The table below summarises interest rate risk for the OneSteel Group together with effective interest rates at 30 June 2002.

2002

	Floating Interest Rate \$m	Fixed Interest Rate Maturing in			Non-Interest Bearing \$m	Total \$m	Average Interest Rate (%pa) Floating %	Fixed %
		1 Year or Less \$m	Over 1 to 5 Years \$m	More than 5 Years \$m				
Financial assets								
Cash	11.4	–	–	–	–	11.4	3.8	
Trade receivables ^(a)	34.6	–	–	–	346.1	380.7	10.2	
Other financial assets	–	–	–	–	25.6	25.6		
	46.0	–	–	–	371.7	417.7		
Financial liabilities								
Trade creditors	–	–	–	–	257.1	257.1		
Bank loans	583.0	–	–	–	–	583.0	5.7	
Interest rate swaps	(475.0)	–	475.0	–	–	–	4.6	6.2
	108.0	–	475.0	–	257.1	840.1		

(a) Net of trade receivables sold.

2001

	Floating Interest Rate \$m	Fixed Interest Rate Maturing in			Non-Interest Bearing \$m	Total \$m	Average Interest Rate (%pa) Floating %	Fixed %
		1 Year or Less \$m	Over 1 to 5 Years \$m	More than 5 Years \$m				
Financial assets								
Cash	14.1	–	–	–	–	14.1	4.6	
Trade receivables ^(a)	32.2	–	–	–	355.0	387.2	10.4	
Other financial assets	–	–	–	–	128.6	128.6		
	46.3	–	–	–	483.6	529.9		
Financial liabilities								
Trade creditors	–	–	–	–	256.7	256.7		
Bank loans	776.5	–	–	–	–	776.5	5.9	
Interest rate swaps	(575.0)	100.0	475.0	–	–	–	4.8	6.0
	201.5	100.0	475.0	–	256.7	1,033.2		

(a) Net of trade receivables sold.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Financial Instruments (continued)**(c) Foreign Exchange**

The OneSteel Group is exposed to foreign currency exchange risk through primary financial assets and liabilities, and anticipated future transactions modified through derivative financial instruments such as forward exchange agreements, currency options and currency swaps. The following table summarises by currency, in Australian dollars, the foreign exchange risk in respect of recognised financial assets, liabilities and derivatives entered to hedge anticipated future transactions. Financial assets and liability captions in which all amounts are denominated in Australian dollars are not included in these tables.

	Australian Dollars \$m	United States Dollars \$m	New Zealand Dollars \$m	Other \$m	Total \$m
2002					
Financial assets					
Cash	9.1	–	2.3	–	11.4
Trade receivables ^(a)	324.9	3.1	52.4	0.3	380.7
Forward exchange contracts	6.8	(0.9)	(5.3)	(0.6)	–
	340.8	2.2	49.4	(0.3)	392.1
Financial liabilities					
Trade creditors	237.7	1.7	14.9	2.8	257.1
Sundry creditors	161.9	–	6.1	–	168.0
Bank loans	575.0	–	8.0	–	583.0
Forward exchange contracts	28.1	(18.9)	–	(9.2)	–
	1,002.7	(17.2)	29.0	(6.4)	1,008.1

(a) Net of trade receivables sold.

	Australian Dollars \$m	United States Dollars \$m	New Zealand Dollars \$m	Other \$m	Total \$m
2001					
Financial assets					
Cash	13.2	–	0.9	–	14.1
Trade receivables ^(a)	314.2	11.3	61.7	–	387.2
Forward exchange contracts	55.8	(53.3)	(2.2)	(0.3)	–
	383.2	(42.0)	60.4	(0.3)	401.3
Financial liabilities					
Trade creditors	198.7	2.5	16.7	38.8	256.7
Sundry creditors	182.5	–	5.2	–	187.7
Bank loans	750.0	–	14.8	11.7	776.5
Forward exchange contracts	53.4	(49.7)	1.9	(5.6)	–
	1,184.6	(47.2)	38.6	44.9	1,220.9

(a) Net of trade receivables sold.

The following table summarises by currency the Australian dollar value of forward foreign exchange agreements and foreign currency options. Foreign currency amounts are translated at rates current at the reporting date. The "buy" amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies, and the "sell" amount represents the Australian dollar equivalent of commitments to sell foreign currencies. Contracts to buy and sell foreign currency are entered into from time to time to offset purchase and sale obligations so as to maintain a desired hedge position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Financial Instruments (continued)

Currency	Average Exchange Rate		2002		2001	
	2002	2001	Buy \$m	Sell \$m	Buy \$m	Sell \$m
United States dollars						
3 months or less	0.542	0.522	18.9	0.9	19.2	29.9
Over 3 to 12 months	–	0.524	–	–	30.5	23.4
			18.9	0.9	49.7	53.3
Japanese yen						
3 months or less	68.30	61.89	1.8	0.3	2.4	0.3
Over 3 to 12 months	67.55	60.83	0.7	–	0.9	–
			2.5	0.3	3.3	0.3
New Zealand dollar						
3 months or less	1.1855	1.2465	–	4.4	1.9	2.2
Over 3 to 12 months	1.1639	–	–	0.9	–	–
			–	5.3	1.9	2.2
Euro						
3 months or less	0.5991	0.5925	2.4	0.4	0.8	–
Over 3 to 12 months	0.5909	–	0.4	–	–	–
			2.8	0.4	0.8	–
Pounds sterling						
3 months or less	0.3648	0.3646	2.8	–	0.5	–
Over 3 to 12 months	0.3692	0.3746	0.3	–	0.1	–
Over 12 to 24 months	0.3605	–	0.2	–	–	–
			3.3	–	0.6	–

(d) Credit Risk Exposures

Credit exposure represents the extent of credit-related losses that the OneSteel Group may be subject to on amounts to be exchanged under derivatives or to be received from financial assets. The notional amounts of derivatives are not a measure of this exposure. The OneSteel Group, while exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations given their high credit ratings. Where appropriate, collateral is obtained in the form of rights to securities and master netting agreements. The credit exposure is represented by the net fair value of contracts with a positive fair value at balance date, reduced by the effects of master netting agreements.

The OneSteel Group's exposures to on-balance sheet credit risk are as indicated by the carrying amounts of its financial assets. Concentrations of credit risk (whether on-balance sheet or off-balance sheet) that arise from derivative instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The consolidated entity does not have a significant exposure to any individual counterparty.

The following table summarises the OneSteel Group's credit exposure on derivative financial instruments with a positive net fair value and has been reduced by unfavourable contracts with the same counterparty pursuant to master netting agreements, which will not be settled before the favourable contracts:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Financial Instruments (continued)

Derivatives	CONSOLIDATED	
	2002 \$m	2001 \$m
Interest rate swaps	(3.7)	(2.7)
Foreign exchange contracts	(0.5)	0.8
	(4.2)	(1.9)

The OneSteel Group minimises concentration of credit risk by undertaking transactions with a large number of debtors in various countries and industries.

The major geographic concentrations of credit risk arise for the location of the counterparties to the OneSteel Group's financial assets as shown in the following table:

Location of credit risk	CONSOLIDATED	
	2002 \$m	2001 \$m
Australia	359.6	456.8
New Zealand	54.7	48.7
North America	3.1	13.1
Other	0.3	11.3
	417.7	529.9

Concentration of credit risk on financial assets is indicated in the following table by percentages of the total balance receivable from customers in the specified categories.

Industry classification	CONSOLIDATED	
	2002 %	2001 %
Building and construction industry	55	52
Manufacturing industry	18	17
Mining industry	11	10
Other	16	21

The credit risk amounts do not take into account the value of any collateral or security. Receivables due from major counterparties are not normally secured by collateral, however, the creditworthiness of counterparties is regularly monitored. The amounts of credit risk shown, therefore, do not reflect expected losses.

(e) Net Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities (including derivatives) held at balance date are given below. Short-term instruments where carrying amounts approximate net fair values, are omitted. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

	CONSOLIDATED			
	2002		2001	
	Carrying Value \$m	Net Fair Value \$m	Carrying Value \$m	Net Fair Value \$m
Financial liabilities:				
Long term debt	550.0	550.0	621.7	621.9
Derivatives:				
Foreign exchange contracts	–	(0.5)	–	0.8
Interest rate swaps	–	(3.7)	–	(2.7)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Financial Instruments (continued)

The carrying amounts in the table are included in the Statement of Financial Position under the indicated captions.

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument:

Short and long-term debt

The net fair value of short and long-term debt is estimated by discounting expected cash flows at the interest rate currently offered to the OneSteel Group for debt of the same remaining maturities and security plus costs expected to be incurred were the liability settled.

Swaps and options

The net fair value is estimated by discounting the anticipated future cash flows to their present value, based on interest rates existing at the respective balance dates less an allowance for estimated disposal costs.

Foreign exchange contracts and options

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the OneSteel Group's banks.

(f) Hedges of Anticipated Future Transactions

The following table summarises deferred realised and unrealised gains and losses on forward exchange contracts entered as hedges of future anticipated purchases and sales, showing the periods in which they are expected to be recognised as a component of the purchase or sale transaction when it occurs.

Where foreign currency hedges are terminated prior to their maturity date, the gain or loss on termination is not brought to account until the hedged transaction occurs. At the time that the hedged transaction is no longer expected to occur, both realised and unrealised gains and losses on the hedge transaction are immediately recognised in the Statement of Financial Performance.

Expected recognition period	2002		2001	
	Gains \$m	Losses \$m	Gains \$m	Losses \$m
Currency				
Within one year	0.3	0.8	3.1	2.3

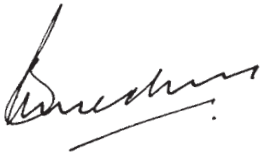
DIRECTORS' DECLARATION

(1) In the opinion of the directors of Onesteel Limited ("the company"):

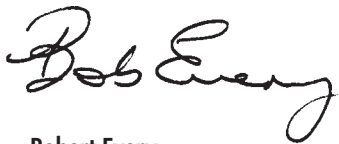
- (a) the financial statements and associated notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) In the opinion of the directors, there are reasonable grounds to believe that the company and the subsidiaries identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the directors.



Peter Smedley
Chairman



Robert Every
Managing Director

Sydney
20 August 2002

INDEPENDENT AUDIT REPORT

To the Members of OneSteel Limited:

Scope

We have audited the financial report of OneSteel Limited for the financial year ended 30 June 2002, as set out on pages 5 to 38, including the Directors' Declaration. The financial report includes the financial statements of OneSteel Limited and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

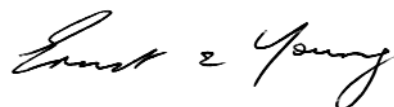
Audit Opinion

In our opinion, the financial report of OneSteel Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.



Ernst & Young



Craig M Jackson

Partner

Sydney
20 August 2002

SHAREHOLDER INFORMATION

Number of Shareholders

There were 189,971 shareholders at 6 September 2002.

There is only one class of share, ordinary fully paid shares.

All issued shares carry voting rights on a one-for-one basis.

Distribution of Shareholdings at 6 September 2002

Range of Holdings	Number of Shareholders	% of Total Holders	Number of Shares	% of Total Shares
1-1,000	152,970	80.52	35,115,437	6.52
1,001-5,000	28,001	14.74	59,733,763	11.09
5,001-10,000	4,937	2.60	35,943,556	6.67
10,001-100,000	3,905	2.06	79,843,908	14.82
100,001 and over	158	0.08	328,079,981	60.90
Total	189,971	100.00	538,716,645	100.00

Unmarketable Parcels

There were 110,802 members holding less than a marketable parcel of shares in the company, as at 6 September 2002.

Listing

The company's shares are quoted on the Australian Stock Exchange.

Twenty Largest Shareholders at 6 September 2002

	Number of Shares	% of Total Shares
RBC Global Services Australia	65,974,114	12.25
Chase Manhattan Nominees Ltd	42,011,472	7.80
National Nominees Ltd	41,733,617	7.75
Australian Mutual Provident Society	27,988,777	5.20
Westpac Custodian Nominees Ltd	24,259,073	4.50
OneSteel Share Plans	20,589,107	3.82
Queensland Investment Corporation	11,137,205	2.07
NRMA Nominees Pty Ltd	9,696,930	1.80
Commonwealth Custodian Services Ltd	9,691,549	1.80
CSS Board	6,285,071	1.17
MLC Group of Companies	6,135,300	1.14
ANZ Nominees Ltd	5,449,155	1.01
Guardian Trust Australia Ltd	3,749,137	0.70
Health Super Pty Ltd	3,625,934	0.67
HKBA Nominees Ltd	3,463,721	0.64
Victorian Workcover Authority	2,974,142	0.55
Government Superannuation Office	2,877,957	0.53
UCA Balanced Growth Fund	2,500,000	0.46
Citicorp Nominees Pty Ltd	2,194,811	0.41
Cambooya Pty Ltd	1,900,000	0.35
Total	294,237,072	54.62
Total Issued Shares	538,716,645	100.00

Substantial Shareholders

Substantial shareholders as defined by the Corporations Act (holding at least 5% of shares):

Merrill Lynch			
Investment Managers Limited	36,055,637	6.69%	
Maple Brown Abbott Limited	30,808,344	5.72%	
AMP Limited	28,078,838	5.21%	

Unquoted Equity Securities

Options over ordinary shares issued pursuant to the OneSteel executive share/option plan:

- Number of employees participating 50
- Number of securities 5,198,886

Share Registry

Shareholders with queries about anything related to their shareholding should contact the OneSteel Share Registry in Sydney on telephone 1300 364 787 or +61 3 9615 5918. Alternatively, shareholders may wish to write to:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

Or on facsimile: +61 2 8234 5050

SHAREHOLDER INFORMATION CONTINUED

Details of individual shareholdings can be checked conveniently and simply through visiting our Registrar's website at www.computershare.com and clicking on Investor Centre button. For security reasons, you then need to key in your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) plus family name and postcode, to enable access to personal information.

Dividends

The company proposes to pay dividends in October and April. Shareholders should retain for taxation purposes full details of dividend payments.

The following options are available to shareholders regarding payment of dividends:

1. By direct deposit to an Australian bank, building society or credit union account.
2. By cheque payable to the shareholder. Lost or stolen cheques should be reported immediately to the OneSteel Share Registry, in writing, to enable stop payment and replacement.

Where shareholders choose to have their dividends paid by direct deposit payments are electronically credited on the dividend date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the OneSteel Share Registry or by visiting www.computershare.com

Dividend Reinvestment Plan

As an alternative to receiving cash dividends, eligible shareholders may elect by notification to the share registry, in writing, to participate in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase fully paid OneSteel ordinary shares.

Tax File Numbers

OneSteel is required to withhold tax at the rate of 48.5% on any unfranked component of dividends or interest paid to investors resident in Australia who have not supplied the company with a tax file number (TFN) or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

Stock Exchange Listing

OneSteel is listed on the Australian Stock Exchange. All shares are recorded on the principal share register, which is located in New South Wales.

Publications

The company's Annual Review is the main source of information for investors and is mailed to shareholders in October. Other sources of information, which will be available on the Internet, are:

1. The Chairman's address to the annual general meeting
2. The half year financial report reviewing the July–December half year.

Shareholders wishing to receive company information electronically via email, instead of by mail, may register their email address with the company's online shareholder registry as follows:

- visit www.computershare.com
- click on Investors
- click on Registry Service
- click on Your Shareholding
- next, type the company name, OneSteel Limited, or simply the company code, OST
- then, next to Check Your Securities, click the 'Go' button. You will then need to enter your personal security information: Holder Identification Number (HIN) or Securityholder Reference Number (SRN); family or company name and postcode; and click 'Go'
- from there, click on 'Go' for Communication Details and follow the prompts.

After you have entered your email address and selected which publications you wish to receive, an email will be sent to you for confirmation purposes.

When you receive it, just click on 'Reply' to confirm your details, then 'Send'.

Internet Address

Shareholder information may be obtained from the Shareholder Information section of the OneSteel website – www.onesteel.com

Change of Address

Issuer sponsored shareholders should notify the OneSteel Share Registry immediately, in writing, signed by the shareholder/s, of any change to their registered address. For added security, shareholders should quote their previous address and Securityholder Reference Number (SRN). CHESS uncertified shareholders should advise their sponsoring broker or non-broker participant.

Removal from Mailing List

Shareholders who do not wish to receive the Annual Review should advise the OneSteel Registry, in writing, noting their SRN or HIN.

Change of Name

Shareholders who change their name should notify the OneSteel Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll.

Buy-back

There is no current on-market buy-back in place.

STATISTICAL SUMMARY

This report has been prepared by comparing the 12 months to June 2002 Statutory Accounts with the pro-forma numbers for the corresponding periods in 2001 and 2000. The Statutory Accounts for the 12 months to June 2001 do not include the trading of all the OneSteel Group for the 12 months as the purchase of assets was completed at different times between July and October 2000.

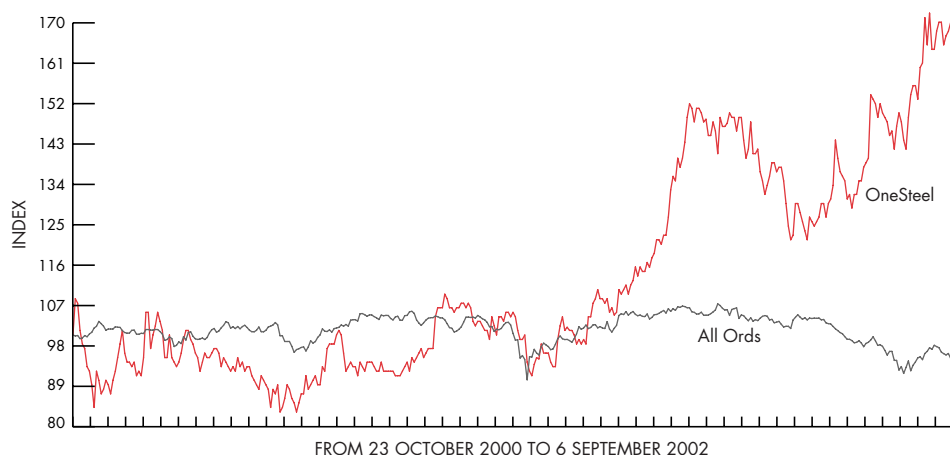
The pro-forma numbers include the results of all businesses as if the assets and operations of all businesses spun out from BHP, were part of the OneSteel Group from 1 July 2000 to 30 June 2001.

KEY FINANCIAL STATISTICS – 12 MONTHS ENDING 30TH JUNE

	2002 \$m	2001* \$m	2000 \$m
Sales Revenue	2,906.0	2,637.7	2,959.1
Other Revenue	80.5	141.5	17.4
Total Revenue	2,986.5	2,779.2	2,976.5
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	251.0	181.7	268.0
Earnings Before Interest, Tax and Amortisation (EBITA)	166.8	74.7	171.7
Earnings Before Interest and Tax (EBIT)	147.9	37.7	155.2
Borrowing Costs	54.4	61.8	
Profit/(Loss) Before Tax	93.5	(24.1)	
Tax Expense/(Benefit)	39.0	(2.1)	
Net Profit/(Loss) After Tax and Minorities (NPAT)	47.1	(27.9)	
Cash Flow from Operations	143.9	170.1	
Total Assets	2,582.0	2,710.8	2,628.4
Funds Employed	1,794.2	1,878.6	2,019.7
Total Liabilities	1,359.4	1,594.6	1,465.9
Net Debt	571.6	762.4	857.2
Capital and Investment Expenditure	70.8	108.4	167.6
Inventories	574.1	540.3	608.0
Employee Numbers	6,989	7,379	7,271
Sales per Employee '000	415.8	357.5	407.0
Net Tangible Asset Backing, \$ per Share	1.69	1.81	2.03
EBIT Margin on Sales %	5.1	1.4	5.2
EBITA Return on Average Funds Employed %	9.1	2.0	7.7
Return on Equity %	4.7	n/a	
Gearing (net debt:net debt plus equity) %	31.9	40.6	42.4
Interest Cover, times	2.71	0.60	
Earnings per share (cents – based on the number of shares at the end of the period)	8.7	(6.0)	
Dividends per share (cents)	6.5	6.0	
Total Tonnes Produced	1,576,650	1,438,770	1,835,822
Total Tonnes Dispatched	2,176,413	2,125,073	2,667,654
Total Domestic Tonnes Dispatched	2,004,716	1,846,503	2,239,753
Total Export Tonnes Dispatched	171,697	278,570	427,901

* The 2001 financial year includes a restructuring charge

ONESTEEL SHARE PRICE PERFORMANCE VERSUS THE ALL ORDINARIES INDEX



STATISTICAL SUMMARY CONTINUED

ORE RESERVES AND MINERAL RESOURCES

OneSteel's estimates of Ore Reserves and Mineral Resources presented in this report have been produced by Competent Persons in accordance with the current Australasian Code for Reporting of Identified Minerals Resources and Ore Reserves (the JORC Code). Each Competent Person (named in the following tables) consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

All Resource and Reserve figures represent estimates at the end of June 2002 unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals.

ORE RESERVES

The table below shows OneSteel's Iron Ore Reserves which consist of three operating mines located in the South Middleback Ranges. Grades are uncalcined, contain 2% moisture, and Life of Mine Recoveries are 93%.

Whyalla (Middleback Range) Iron Ore Reserves

		As at end June 2002									Compared with 2001		OneSteel Interest	Competent Person	
		Proved Ore Reserves			Probable Ore Reserves			Total Ore Reserves			Total Ore Reserves				
Category	Ore Type	Tonnes (millions)	Grade		Tonnes (millions)	Grade		Tonnes (millions)	Grade		Tonnes (millions)	Grade		%	
			Fe%	P%		Fe%	P%		Fe%	P%		Fe%	P%		
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite.	18.7	63.4	0.05	18.6	62.3	0.06	37.3	62.8	0.06	38.0	62.7	0.06	100	H.Titchen

MINERAL RESOURCES

The table below shows OneSteel's insitu resource base adjacent to existing operations at a cut-off of Fe>50%, SiO₂<10%, Al₂O₃<5% and P<0.2%.

The Total Mineral Resources include all resources, including those used to derive Ore Reserves.

Mineral Resources that have not been used for estimation of Ore Reserves are shown separately.

Whyalla (Middleback Range) Iron Ore Mineral Resources

		As at end June 2002								Compared with		OneSteel Interest	Competent Person
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2002		Total Resources 2001			
Category	Type	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor Magnetite.	26.7	63.1	40.7	61.7	4	61.0	71.3	62.2	75.9	62.3	100	P.Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor Magnetite.	4.2	58.7	14.7	59.9	3	60.7	21.8	59.8	21.8	59.8	100	P.Leevers

OneSteel has Magnetite resources located at the Iron Magnet Deposit which is adjacent to and below the Iron Duke and Iron Duchess Deposits, and is outlined in the table below.

Whyalla (Middleback Range) Magnetite Mineral Resources

		As at end June 2002								Compared with		OneSteel Interest	Competent Person
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2002		Total Resources 2001			
Category	Type	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	Tonnes (millions)	Fe Grade (%)	%	
Total Quantity	Magnetite					300	37	300	37	300	37	100	P.Leevers

GLOSSARY

THE COMPANY

OneSteel Limited and/or its subsidiaries, as the context admits.

THE GROUP

OneSteel Limited and/or its subsidiaries, as the context admits.

BILLET

Billet is a section of cast steel approximately 127mm or 175mm square and 12 metres long used to produce rod and bar.

BLAST FURNACE

Furnace used for converting iron ore into pig iron.

BLOOM

Bloom is a section of cast steel usually 350mm square and 12 metres long.

DISPATCHES

Term used for total tonnes sold to end markets.

ELECTRIC ARC FURNACE

Furnace used to convert scrap steel into molten steel.

EMAIL METALS

Email Metals was the component of the Email Limited business jointly acquired by Smorgon Limited and OneSteel.

INTEGRATED STEELWORKS

An integrated Steelworks uses Blast Furnace and Basic Oxygen steelmaking technology to manufacture steel from iron ore.

LOST TIME INJURY FREQUENCY RATE

A statistical measure of safety performance.

A lost time injury is an injury which is attributable to a workplace incident and which results in at least one full shift of work being lost at some time (not necessarily immediately) after the shift during which the injury occurred.

Lost time injury frequency rate is the number of lost time injuries per million hours worked and is calculated as follows: lost time injury frequency rate equals number of lost time injuries per reporting period times one million, divided by hours worked per reporting period.

MEDICAL TREATMENT INJURY FREQUENCY RATE

A statistical measure of safety performance.

A medical treatment injury is an injury which is attributable to a workplace incident, requires medical treatment (including restricted work) and which results in less than a full shift of work being lost. Injuries which result in at least one full shift of work being lost are classified as lost time injuries (refer above).

The medical treatment injury frequency rate is the number of medical treatment injuries per million hours worked and is calculated as follows: medical treatment injury frequency rate equals number of medical treatment injuries per reporting period times one million divided by hours worked per reporting period.

ORE

Mineral bearing rock.

PELLET PLANT

The Pellet Plant takes fine iron ore and produces hard balls of iron ore that can be fed into the Blast Furnace.

PLATE

Large flat sections of steel used for the manufacture of tanks, pressure vessels etc.

PRODUCT MILLS

Product Mills take billet and blooms and roll them into rod, bar, reinforcing steels, wire, rail, tube, pipe and structural steel.

PRODUCTION

Term used to define total tonnes produced in particular product.

RAW STEEL

Raw Steel is produced at Whyalla Steelworks and the Sydney Steel Mill and cast in the form of billet, blooms and slab steel.

REINFORCING STEEL

Used for reinforcing concrete.

ROD AND BAR

Rod and bar is semi-produced product that can then be used for further value added products such as wire, reinforcing steel, grinding media, posts etc.

SHEET AND COIL

Sheet and coil is purchased from outside steel producers and processed and distributed by OneSteel or used in the manufacture of pipe and tube.

SLAB

Slab is a section of cast steel usually 250mm thick and between 600 and 1800mm wide and 12 metres long.

STEEL AND TUBE NZ

Steel and Tube Holdings Limited and/or its subsidiaries as the context admits.

STRUCTURAL STEEL

Large steel sections used for frames for buildings, factories, bridges and other infrastructure.

ABBREVIATIONS

ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange Limited
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITA	Earnings Before Interest, Tax and Amortisation
EBIT	Earnings Before Interest and Tax
ISO 14001	International Standards Organisation specification for environmental management systems
NPAT	Net Profit After Tax
NZ	New Zealand
GM	General Manager
UK	United Kingdom
USA	United States of America
FHOS	First Home Owners Scheme
BOC	British Oxygen Company
ng/m³	Nanograms per Cubic Metre
CO₂	Carbon Dioxide

CORPORATE DIRECTORY

Directors

Peter J Smedley
Chairman
Robert L Every
Managing Director and
Chief Executive Officer
Eileen J Doyle
Colin R Galbraith
David E Meiklejohn
Dean A Pritchard
Neville J Roach

Company Secretary

John M Krenich

Registered Office and Head Office

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ABN 63 004 410 833
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Share Registry

OneSteel Share Registry
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Level 3, 60 Carrington Street
Sydney NSW 2000 Australia
Telephone: 1300 364 787 or
+61 3 9615 5918
Facsimile: +61 2 8234 5050
Internet: www.computershare.com

Auditors

Ernst & Young

Stock Exchange Listing

OneSteel Limited shares are quoted on the
Australian Stock Exchange

Annual Review and Full Financial Report

Both the 2002 Annual Review and
the Full Financial Report are
available on the OneSteel website
www.onesteel.com or
by calling +61 2 9239 6666

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